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# FOREIGN AGRICULTURE



king corn, Afghanistan

- Coffee Output  
in Asia and Africa
- U.S. Potato Exports

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An Afghan farmer shucks an improved variety of corn. Lending by the world's major economic development banks to benefit agriculture in the developing nations now accounts for over a fifth of the total loans made by these banks to those nations since World War II. See article on page 10.

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# Uptrend in Coffee Output Unlikely in Six Countries In Asia and Africa

By J. PHILLIP ROURK

*Foreign Commodity Analysis, Sugar and Tropical Products  
Foreign Agricultural Service*

PRODUCTION of coffee in six selected countries—Indonesia, India, Kenya, Zaire, Cameroon, and Ivory Coast<sup>1</sup>—is unlikely to expand significantly in the next 3-5 years, despite the attractions of higher world prices and the successful negotiation of a new International Coffee Agreement (ICA) that went into effect October 1.

The six countries, which export about 10 million bags of coffee annually, were selected because they account for an important 20 percent of world coffee trade.

Coffee production in these countries is subject to extensive government control through such agencies as marketing and/or stabilization boards and similar entities. In some of these countries, new coffee acreage may not be planted without official permission.

Individually, attitudes differ among the six countries toward proposals for expanding coffee area, but generally the governments of these countries are not responding energetically to the opportunities raised by higher prices—mainly resulting from the destructive freeze that hit Brazil's coffee areas in 1975—and the new ICA provisions.

Only in India and to a lesser extent in Kenya are officials taking positive steps toward increasing coffee production.

Producers and government officials in some of the six countries appear to be uninterested in expanding production. In some countries, prices received by producers are set by governmental agencies and bear little or no relation to world prices. In these cases, the current record prices for coffee in the world market offer no incentive to growers.

In countries where higher coffee prices prevail, producers tend to view the current price level as a phenomenon of limited duration that will be at least

partially offset by rising costs.

**Indonesia.** Coffee production has doubled during the past 20 years to a level of about 3 million bags (60 kg each) per year. About 95 percent of this production is Robusta, with a small production (mainly in Sumatra) of the higher quality Arabica. Smallholder production accounts for about 90 percent of the total crop.

A combination of poor drying and hulling practices and varying degrees of ripeness at harvest results in a low quality product with many broken beans and a correspondingly low price on world markets. Indonesian coffee generally obtains a lower price than African Robustas.

Government officials state that they intend to initiate programs that will offer technical assistance, encourage renovation of old trees, and provide fertilizer and other chemical products at favorable prices.

Indonesia has large areas of land suitable for expanded coffee production abundant and cheap labor, a tradition of growing coffee, and, now, a Government that says it wishes to increase production.

NEVERTHELESS, these positive factors are largely offset by primitive technology in the smallholder sector, a marketing system that provides little or no incentive, a lack of roads and other infrastructure in rural areas, primitive processing, and a general lack of good organization.

Thus, despite official optimism, it is unlikely that production will increase in Indonesia much during the next few years. Gradual growth in output is likely only as new ideas gain acceptance and as infrastructure improves, reducing costs and increasing returns.

**India.** Encouraged by the relatively high coffee prices prevailing in the 1950's, the industry expanded growing area to more than 300,000 acres b

<sup>1</sup> Based on author's trip to these countries, March 24-April 29. Mr. Rourk has retired from FAS.



962 and to 424,000 acres in 1975. Production also has increased rapidly—from an average of 980,000 bags in 1961-66 to an average 1.5 million bags in 1971-76. Yields increased as well as area.

For the past 10 years, production has been divided between Arabica (about 60 percent) and Robusta (about 40 percent). Arabica production is mostly on the larger, more efficient properties, while Robusta is grown chiefly by smallholders.

Much of India's coffee is produced on medium-size and large plantations. Slightly more than half of the total crop comes from farms with more than 25 acres in coffee, and nearly 18 percent of these farms have more than 250 acres in coffee. The dominance of larger farms is particularly marked in the Arabica sector, in which 60 percent of production comes from farms of more than 25 acres.

Coffee marketing is controlled by the Coffee Board, which is comprised of 32 members representing Parliament, the coffee producing states, planters, labor, traders, and others. All coffee must be delivered to the Board, which sells it at auction for domestic and export markets. Grading and classification also are responsibilities of the Board. Exporters must be licensed by the Board.

Because of the presence of leaf rust and other diseases, there has been a constant search for resistant and tolerant varieties that could be used to replace the older, susceptible varieties. It is believed that about 60 percent of the Arabica coffee has been planted since 1950 with new, improved strains. Nevertheless—and despite the opposition of the Coffee Board—many growers, both large and small, have switched to Robusta in recent years, considering it to be more productive and less demanding.

The prerequisites exist for a very significant increase in India's coffee production. Among the factors favoring such an increase are:

- Ample land is available to double current production area.
- There is an abundant supply of labor.
- Government favors expansion, particularly by small farmers.
- Good research stations and technicians are ready to provide assistance to farmers.
- The structure of the industry (many large and medium-size farms) lends itself to efficient production and more



*Left: Part of a coffee plantation in Kenya; Top: Coffee ready for processing in India; Above: Workers pruning coffee trees in Indonesia.*

dynamic response to changing world conditions.

- Coffee is marketed in a well organized manner through the Coffee Board.
- Some 20 percent of India's coffee trees are not yet in full production.

On the other hand, these advantages are partially offset by some negative factors:

- The new lands in Andhra Pradesh and some other areas are largely national lands reserved for local tribal populations, and the people in these areas are not presently interested in or capable of embarking on production of a new crop.
- Many coffee planters—particularly larger ones—do not share the Government's optimism concerning coffee and are reluctant to expand production.
- The presence of coffee rust and insect infestation adds to costs and com-

plicates production.

On balance, it seems reasonable to assume that India's coffee production will increase 4-5 percent annually during the next 3-5 years.

**Kenya.** Average yields in Kenya are equalled or exceeded only by those of El Salvador and Costa Rica, traditionally the world leaders in efficient coffee production. Smallholders, while not achieving the high production levels attained by the estates, have surpassed the yields of smallholders in other coffee-producing countries and their outputs compare favorably with those of large plantations in other countries.

Nevertheless, the industry has its problems. In western Kenya, coffee is being replaced by tea and other food crops, and area near Nairobi is being lost to other crops and urban expansion. Coffee area remains stable in eastern



and central Kenya.

In the smallholder sector, there is some evidence that inefficient management of the cooperatives is resulting in a lower payout to the small farmers, thus curbing their incentive to improve and expand production. The sector has also had problems of deteriorating quality in recent years because of undercapacity or poor management of the cooperatively owned processing mills.

**K**ENYA'S labor rates exceed those in Indonesia and India and are rising rapidly. Also, shortages of labor at critical times are beginning to hamper harvesting and are encouraging systems of pruning that require less labor—but at the expense of lower yields.

The Coffee Marketing Board for years has held responsibility for the sale of coffee for export and domestic consumption. The Board conducts weekly auctions at which coffee is purchased by licensed exporters.

Payments to growers are made on a pool-year basis. Initial payment is made at the beginning of the season and subsequent partial payments are made until the close of the pool year when, after deducting expenses, the Board pays out the remaining funds to the growers on the basis of average grade of coffee delivered by each grower.

Kenya's official policy for coffee is to maintain or increase slightly the present 86,000 hectares now under coffee. Officials stress the temporary nature of the present price level in the face of rising input costs.

Although there is little suitable land available for expanding coffee area, production could be increased significantly through greater plant density. Research officials recommend a change in spacing from 9 by 9 feet to 9 by 4.5 feet.

Some farmers are reluctant to increase plant density because of the increased attention to disease control and fertilizing that would be necessary.

On balance, it appears that Kenya will do well to maintain its current level of production during the next few years or, at best, achieve a slight increase in outputs.

**Republic of Zaire.** Between World War II and the attainment of independence in 1959, coffee production expanded rapidly, reaching a level of more than 1.5 million bags by 1959. However, output dropped by more than 50 percent during the subsequent period of political instability.

After 1967, increased stability led to recovery of production by 1972/73 to nearly the pre-independence level of output.

In 1973, the creation of a National Coffee Office (NCO) and its monopoly control over marketing, plus nationalization of foreign-owned plantations, resulted in a new period of uncertainty and inefficiency. Production fell from 1.3 million bags in 1972/73 to just over 1 million bags for 1976/77.

In recent months, the situation has improved, and there is a feeling of optimism for the first time in years. Exporting is being returned to the private sector, with the role of the NCO now limited to setting internal purchase prices and minimum export prices, quality classification, and granting of export licenses. Steps are being taken to restore, at least in part, the nationalized plantations to their former owners.

Production is expected to increase slowly, however, because of the scarcity and cost of chemical inputs, transportation shortcomings, and the lack of price incentive for smallholders.

**Cameroon.** Area and production have increased steadily since World War II, and average annual output during 1971-76 has been about 1.5 million bags—an increase of about a third, compared with the preceding 5-year period. At least 95 percent of total production comes from small farms.

Prices paid to producers are determined each year by the Price Stabilization Board. At present, farm prices are lagging far behind world prices, but officials indicate that prices are to be increased for the 1976/77 harvest.

Although the Government has applied to the World Bank for a loan to expand coffee production, officials indicate that they are primarily interested in increasing outputs of cocoa and other food crops.

Coffee production can be expected to increase in the next few years, but at a very moderate rate.

**Ivory Coast.** Favored by excellent natural growing conditions and Government policies that encouraged coffee production, output of coffee increased rapidly in the period 1945-1970. Ivory Coast is now the world's third largest coffee producer, after Brazil and Colombia.

Following a rapid rise in output during the 1950's and 1960's, production has leveled off at an average of about 4.4 million bags, with year-to-year varia-

tion dependent on weather. The maximum potential production is about 5 million bags, if all conditions are optimum.

Coffee traditionally has been produced by small farmers on plots of 2-5 hectares primarily assigned to coffee, cocoa, and other food crops.

Government policy is to encourage augmented production of cocoa and certain other food crops. Although the Government continues to support modernization of the coffee industry through research for improved varieties and construction of processing facilities, the goal at present is to maintain the existing level of coffee production from a somewhat reduced area.

Research at the Institut Français du Café et du Cacao (IFCC) looking toward development of a viable and commercially attractive hybrid between the Arabica and Robusta varieties is potentially significant.

**A**S MIGHT have been expected, early generations of hybrids were extremely variable, both in terms of yield and quality. Nevertheless, some trees have proven to be both productive and capable of producing a coffee of near Arabica quality, based on preliminary tests carried out in Europe and Ivory Coast.

Such a move would raise questions of labor supply, for commercial production of Arabusta would involve labor-intensive cultivation on large farms and plantations, rather than by farmers on 1 to 2 acres. Not only is labor scarce in Ivory Coast, but potential workers may well prefer the independence of their small farms to employment on large plantations.

Arabusta is very promising, and could become a significant factor in world coffee trade at some point in the future. If scientists succeed in correcting its present deficiencies, it is the intent of the Ivorian Government to replace the present Robusta with Arabusta, which would yield a coffee directly competitive with types from Latin America, and with complete adaptability to the low, hot environment of Ivory Coast.

Pure Arabica, under Ivory Coast conditions, gives very low yields, is of poor quality, and is susceptible to rust and other diseases. But such a replacement program is well down the road—perhaps 15-20 years, at least.

# West Germany To Increase Grain Imports in 1976/77

**T**OTAL WEST GERMAN grain imports in 1976/77 are expected to increase by as much as 1.5 million metric tons—roughly equivalent to the expected decrease in grain production—based on conditions reported as of mid-August. Preliminary estimates of grain areas indicate no change in total grain area, but considerable shifts for individual grains.

The total West German grain production forecast has been reduced to 19.8 million tons, down 7 percent from the 1975/76 production total of 21.3 million tons. Spring grains were more affected by the drought that swept through Europe this summer than were winter grains. Consequently, availability of domestic feedgrain may be drastically reduced. As feedgrain stocks are already at low levels, the deficit will have to be covered by increased imports and reduced exports. Imports and livestock feeding will also be influenced by an above-normal occurrence of shriveled kernels in all grains. A shortage of malting barley is also expected, owing to small kernels with too-high protein content.

Except for rye, all grain production is estimated to drop somewhat in 1976/77. Wheat production is estimated at 6.9 million tons (7.0 million in 1975/76); corn at 490,000 tons (531,000); barley at 6.6 million tons (7.0 million); and oats at 3.6 million tons (4.5 million). Rye production is expected to increase by 12,000 tons to 2.2 million tons.

The greatest shortages in feed supply in 1976/77 will probably be in the roughage area. The grazing situation, as well as the production potential of silage corn, fodder beets, late potatoes, and intermediate fodder crops is still uncertain.

The roughage deficit will not be covered by increased feeding of grain, but rather by use of oilseed residues/straw combinations, and reduced feeding levels. More sparing use of grain is also anticipated in the hog/poultry sectors. Consequently, the 3 percent increase anticipated in hog numbers will not result in markedly increased grain import requirements for replacing roughage.

Preliminary grain area data indicate

the 1976 total grain area unchanged from that of 1975. Sowing conditions in the fall of 1975 were ideal, and winter grain sowing intentions were fully realized. The trend of expanding wheat area continued. After many years of rye area reduction, farmers—responding to favorable market situations for bread rye—expanded this area by 7 percent. Barley area was reduced, and in fact all spring grain areas, except corn, were reduced, mainly owing to increases in winter grains.

Harvesting started 2 weeks earlier than normal, and for the most part was finished by mid-August. Winter barley, most of the rye, and part of the wheat and spring feedgrain were harvested under excellent conditions. First crop reports indicated a larger-than-normal amount of shriveled kernels, very high protein content in wheat, and practically no lodging in spring barley intended for malting. Frequent and general rains during the last third of July improved the growth status and crop prospects of corn somewhat.

**T**HE uncertainty of this year's crop makes forecasting of trade somewhat hypothetical. The situation in brief includes production data as previously indicated, with relatively large amounts of wheat, suited only for feeding. Wheat exports, consequently, will be smaller, as will those of wheat flour. Requirements of corn for feeding purposes will also be increased, and the corn/sorghum price relationship will tend to favor corn. Requirements will be considerably increased for both imported barley—particularly malting barley—and imported oats.

In recent weeks the domestic West German rice market has been firm. West German rice mills have announced price increases of DM10 per 100 kilograms, and trade circles attribute this to the deliveries by U.S. farmers of substantial quantities into Government storage.

The new rice year, which began on September 1, will probably see price increases of roughly 8.5 percent. Prices in the round rice market have been variable. The Italian rice mills have

continuously raised their prices, but should the lira become firmer, the round rice prices in West Germany will become rather strong again.

In other crops, data on the 1976 pulse crop are not yet available; however, it is expected that the new crop will be considerably less than the 87,000 tons estimated to be produced in 1975, owing to an area reduction of 11 percent and drought damage.

Relatively speaking, the 1975/76 marketing year was characterized by increased imports of wheat and practically unchanged imports of corn and barley. Given the smaller 1975 crop, it is noteworthy that exports of all major grains increased, owing to high stock levels.

The year 1975 was also a good one for U.S. exports to West Germany. Total West German rice imports in calendar 1975 amounted to 129,000 tons, milled equivalent, compared to 139,000 in calendar 1974. The U.S. share of the 1975 imports, however, amounted to roughly 41 percent, compared to 39 percent in 1974. It appears that during the past 2 years, the United States has regained its importance as a major supplier of rice to West Germany. This trend has continued into 1976, as well. The U.S. share of rice imports would be even greater if the imports of milled long grain rice from Belgium—10,200 tons in 1975 and 3,500 tons in January-April 1976—which were almost entirely of U.S. origin, were included in the total.

Total imports of pulses in calendar 1975 are estimated at 79,100 tons (10,500 tons from the United States) as compared to 85,400 tons in 1974 (10,200 tons from the United States). For pulses, the United States has to compete with many other suppliers: The European Community, East European countries, and the People's Republic of China for peas; Ethiopia and the Balkan countries for edible beans; the United Kingdom for feed beans; and the USSR and Argentina for lentils.

The outlook for increased pulse imports in 1976 is good, owing to expected smaller domestic production, and perhaps a somewhat increased feed pulse requirement. U.S. opportunities to participate in this market will depend on U.S. prices and supplies.

—Based on report from

TURNER L. OYLOE  
U.S. Agricultural Attaché, Bonn



# Price Outlook Brightens For Australian Wool

THE MARKET FOR Australian wool recovered substantially during the 1975/76 marketing season. This turnaround from the year before follows one of the most severe textile recessions to hit the wool industry since the end of the Second World War. Further strengthening in prices occurred at opening auctions for the 1976/77 clip.

The price outlook for the current marketing season is expected to remain strong. However, there is one dark cloud on the horizon. Wool production in the current season is less than last year's and there is a serious drought in southern Australia. If the dry spell continues, shorn wool production could be lower, possibly reaching a point where prices might move up too rapidly, causing sales to drop off sharply.

Australia produces about one-half the world's fine wool, with South Africa second. Australian wool exports consist of about 65 percent of the fine wool, 20 percent of the medium-grade, and 15 percent of the coarse wool. So a drop in sales could have a pronounced hurtful effect on the Australian economy.

Australian wool output in 1976/77 is currently forecast at 724.9 million kilograms. But with the number of sheep shorn expected to decline by about 2.2 million head to 157.7 million, the clip is estimated at 649.1 million kilograms, compared with 671.5 million last season. A further drop in yield per head from the present 4.12 kilograms to 4.0 kilograms, due to continued drought, would reduce the clip to 630 million kilograms.

The May 1976 census report, which gave a preliminary estimate of sheep numbers as of March 31, 1976, showed that the total number dropped from 151.7 million head in 1975 to 148.8 million in 1976. The only two States where numbers increased were Western Australia and Tasmania.

The largest declines were registered in New South Wales and Queensland. The current drought is expected to further reduce animal numbers in all States in 1976/77, especially in Victoria, where the dry spell has been most severe.

Because of the drought's wide ex-

pense—it covers virtually all of the southern areas of Australia and is beginning to reach into New South Wales—sheep numbers are expected to slide to 147.5 million head in 1977, but could drop even lower if rains do not fall in sufficient quantity to bring pastures back to near normal.

The drought may also determine the speed at which the animal population will grow in the next few years. Australia's Bureau of Agricultural Economics has projected the country's total sheep numbers would level off after reaching about 160 million head by 1980. In the same period, wool production is forecast to level off at about 810 million kilograms, 8.5 percent higher than the 1975/76 production of 746.6 million kilograms. A continuation of the current drought for an extended period would make this projection overly optimistic.

Australian wool farmers consider rising costs to be their most serious problem, especially those connected with shearing and marketing. Shearing

costs alone have tripled since 1970. The cost to the grower for shearing, classing, baling, transportation, and selling wool has increased from 17.41 Australian cents per kilogram in 1970 to 38.25 cents in 1975. (\$A1=US\$1.23) And the upward trend is expected to continue.

Recognizing the urgent importance of slowing the ascent of these costs, Australia has been spending considerable sums on research to find more efficient ways to shear sheep. Since 1960 the industry has spent about \$A1.7 million on wool research. New discoveries have been hard to come by but some break-throughs seem to be in the offing.

The major research thrust has been directed at developing methods of shearing by using chain clipping devices, laser beams, or hot wires. Some practical chain shearing units are now on the market, but the development of automated and/or chemical shearing appears to be several years off.

The consensus of the industry is that unless economical ways are found to shear the animals, wool industry could have difficulty surviving in the future.

—Based on a report from  
*Office of U.S. Agricultural Attaché  
Canberra*

## EC Asked To Cut Canned Fruit Tariffs

The British Association of Canned Food Importer and Distributors (BACFID) has asked the European Community (EC) to lower tariffs on canned fruit and ease some nontariff barriers applying to this trade.

The BACFID proposals also are to be discussed at the General Agreement on Tariff and Trade (GATT) negotiating sessions now underway.

Specifically, BACFID seeks:

- A cut in EC tariffs of up to 50 percent on peaches, fruit cocktail, and pineapple, reducing tariffs from above 20 percent to 10-12 percent.
- A declaration by the EC in the GATT sessions that the EC will not introduce any form of minimum prices for canned fruit.
- Support for the National Canners' Association (of the United States) request to the EC to combine the variable sugar levy with the common external tariff to simplify calcu-

lation of the overall duty level.

- Removal or improvement of the present import licensing system.

One of the consequences of the United Kingdom's entry into the EC has been the ending of free access for canned fruit from Commonwealth countries and an increase in duties from all third countries, including canned peaches and fruit cocktail from California and pineapple from Hawaii. EC duties on canned fruits normally range from 19 to 24 percent.

In addition, the EC variable sugar levy fluctuates, depending on the relationship between the EC and world price of sugar. Also, there are EC regulations for the issuing of import licenses (requiring deposits) for canned fruits.

BACFID contends that the present level of EC duties and nontariff regulations ups prices to EC consumers.



# U.S. Potato Industry Gears Up For 1976/77 Export Market

By FRANK E. HOKANA

*Foreign Commodity Analysis, Fruit and Vegetable Division  
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THE UNITED STATES is gearing up for what appears to be a banner year for production and export of potatoes in 1976. U.S. potato production is expected to set a new record of 15.9 million metric tons, a total that will allow the United States to supply domestic needs as well as compete with other countries for sales in drought-ridden Western Europe.

The fall potato crop—generally accounting for 85 percent of the total harvest—is forecast at 13.6 million tons, a new high and 4 percent above the previous record in 1974. Total production this year is up 9 percent over last year's total of 14.5 million tons. Total area harvested in 1976—557,000 hectares—is also up 9 percent over that of last year.

Plantings in 1977 may well depend on export sales this winter. U.S. potato growers currently are facing prices about \$1.00 per hundredweight below last year's low level and in many instances still below break-even costs, despite growth in export activity. To maintain production next year at its current level, prices may well require the stimulus of increased exports.

Canadian potato production is also reported to be high—up 13 percent over last year's figure—and is estimated at 2.5 million tons. Potato acreage is placed at 116,000 hectares, 10 percent over 1975 acreage.

Potato crops in 1976 in most European countries are expected to be considerably lower than those of 1975, another poor year. In addition to seeking potatoes and potato products in the United States, West European countries—particularly France, West Germany, the Netherlands, Belgium, and the United Kingdom—are expected to purchase stocks from Canada and East European countries. Polish and Soviet production, however, is also expected to be down this year.

**Note: FAS will release a more comprehensive report on world potato production in a few weeks.**

U.S. fresh potato exports during the first 11 months of the 1975/76 marketing year (October-August) totaled 9.8 million hundredweight, more than 2.5 times larger than the 3.8 million hundredweight exported during the same period a year ago. Commercial sales of fresh and processed potatoes during this same period were valued at over \$99.5 million.

Canada took the highest share of exports—54 percent or 5.3 million hundredweight—during the months of June and July, the traditional period for shipments to peak. Sweden, Portugal, and Belgium-Luxembourg took 11, 9, and 6 percent of shipments, respectively. A considerable portion of these exports originated from U.S. spring and summer crops.

During January-August 1976, exports of U.S. potato flakes and granules—amounting to 91.3 million pounds—increased by more than seven times the amount shipped during the same period last year. The United Kingdom accounted for nearly half of this total (48 percent) followed by West Germany (18 percent).

Shipments of other dehydrated potato products amounted to 26.8 million pounds, 6.5 times greater than the 4.1 million pounds exported during January-August 1975. The leading importers of this product type were the United Kingdom and Japan.

Despite increased shipments, U.S. exporters of fresh potatoes have had their share of problems. Most Europeans prefer a yellow fleshed potato, not grown commercially in the United States. Exports have been curtailed by phytosanitary requirements, import duties—now suspended—and spoilage enroute. Both humidity and temperature are important factors with this perishable commodity. Exporters find that storage and shipping to distant markets require controlled-temperature containers to maintain quality.

Shipping poses still other problems. Current prospects for shipping any addi-

tional contracts from some Eastern ports are clouded by the volume of previous sales now awaiting shipment. The Duluth-Superior outlet from which sizable shipments of U.S. potatoes have recently moved will soon be confronted with winter closing—usually mid-December to April.

The recent interest in U.S. potato exports is largely due to the drought in Western Europe, where potato acreage has been declining at an average annual rate of 115,000 hectares during the past 12 years. Even if potato acreage should remain at the 1975 level of 2.13 million hectares, 1976 yields would need to increase by 8 percent to compensate for the acreage loss and produce a more normal crop approximating the 1972-74 average of 54 million tons. Given indications from early crop reports, this prospect seems somewhat doubtful.

Normally a country with a potato trade surplus of up to nearly 300,000 tons, France is expecting 1976 production to be 27 percent less than that of last year. Consequently, French exports of potatoes have stopped and imports of 650,000 tons are expected to occur, with the major part of imports coming from countries which are not members of the European Community.

On October 2, 1976, France published new regulations, granting the Ministry of Agriculture the authority to waive the prohibition of fresh potato imports from North America. In a message received by USDA on October 18, the Ministry of Agriculture waived this prohibition for fresh potato imports from the United States and Canada. Imports of potatoes for consumption or industrial use will be allowed, provided French phytosanitary requirements can be met and regulations for treatment with an antisprouting chemical are followed.

West Germany, the largest producer of potatoes in Western Europe, experienced the poorest crop on record in 1975, and trade sources are now estimating the 1976 harvest at 9 million tons—17 percent lower than the 1975 total. For the first time in postwar years, West Germany is not requiring imports of potatoes to be yellow-fleshed. A tender for potatoes was issued on a global basis on July 31, 1976, and has since been extended until December 31, 1976.

The potato crop in the United Kingdom is expected to reach only 4.2 million tons, 7 percent less than the 4.5

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# 700 U.K. Agents and Buyers Try U.S. Products at Foodex

*"Ben Franklin once wrote to his wife Sarah that he wished the bald eagle hadn't been chosen as an American symbol because, according to him, it had bad moral character. He claimed the turkey was a more noble bird and more suitable as a national symbol since it was a true native."*

Those are the words of Rosemary Strother, a British home economist whose daily food demonstrations and historical tidbits were a key feature at the recently concluded series of Foodex shows in the United Kingdom. Ms. Strother, senior home economist of CPC Limited, and Ramon Dawes, technical manager of the British Arkady Company, held a 1-hour seminar at each of these Foodex shows, using products of some 35 U.S. companies in typical American dishes. This gave the U.K. agents, wholesalers, and institutional buyers a chance to sample the U.S. dishes after having viewed the preparation of the products and met with representatives of 76 U.S. companies.

Foodex, a FAS-sponsored traveling food show, went to Liverpool on September 23-24; followed by Glasgow, September 28; and Newcastle, September 30 and October 1. About 700 key U.K. tradespeople attended the three shows, where they had a chance to see and try 500 U.S. food products—300 of them new to the market.

Promoting the new foods of 53 U.S. companies were regional groups that cooperate with FAS in overseas market development, plus the Minnesota and Missouri State Departments of Agriculture. Also in attendance were representatives from the States of North Carolina and Maine.

The regional groups were the mid-America International Agri-Trade Council (MIATCO), the Southern United States Trade Association (SUSTA), and the Eastern U.S. Agricultural and Food Export Council (EUSAFEC). All told, they displayed products from 19 States—Maine, New York, Massachusetts, Vermont, Pennsylvania, Wisconsin, Minnesota, Missouri, Illinois, Washington, Iowa, Ohio, Michigan,

Louisiana, Maryland, Oklahoma, Texas, Florida, and Virginia.

Also, representatives from two U.S. companies new to the market—one showing a variety of foods and the other showing dietetic and freeze-dried foods—had booths at the shows. Rounding out the list were 24 U.K. agents for U.S. products already established in the United Kingdom.

The 500-some products on exhibit gave the U.K. agents, wholesalers, and buyers for restaurants, hotels, airlines, school-lunch programs, and other institutions a wide variety of choice. These products ranged from bagels to California oranges, dog-fish backs, ice cream mix, pizzas, and Vermont maple syrup.

U.K. buyers attending the shows reacted well to products that could meet "economy" requirements imposed by the country's economic problems and the recent drop in value of the pound sterling. Also popular among the new-to-market items were the many easy-to-serve foods; fish products, including shark steaks and a 100 percent fish sausage that could not be distinguished from pork; turkey parts; marinated mushrooms and mushroom salad; wild rice; processed potatoes; candy and a line of 28 natural food bases.

Many inquiries about these and other products were received.

Denny Dunn, executive director of MIATCO, said that his booth did \$100,000 worth of business the first day of Foodex and later negotiated on the sale of \$1.5 million worth of canned mixed vegetables. Dunn, whose stands handled some 200 of the products exhibited, said that buyers coming in had been shocked by the recent decline in the pound sterling, but were still shopping. The emphasis, however, was on the good buys.

Dunn also said that he had arranged for the sale of several container-loads of onions from Ohio, which brings in one of the latest onion crops.

Chuck Combs, Director of Marketing for the Minnesota Department of Agriculture, reported that he had sent a

number of telegrams back to participating companies for price quotes and other information requested by U.K. buyers. Combs said several buyers were interested in frozen french fries and other potato products as a result of the European potato shortage this year, as well as in fish sausages, turkey products, and Italian foods in boiling bags requiring only 3 minutes of cooking.

With 13 companies and 25 products, Minnesota had the largest State representation at the shows, which the State has been participating in for the last 5 years.

The other State with a representative at the shows, Missouri, exhibited around 20 products of five companies. John Sanders, marketing director for the Missouri State Department of Agriculture, said that U.K. tradespeople especially liked corned beef brisket, individual servings of stew and soups, and confectionery items.

Herb Stone, executive director of SUSTA, reported good response to the 60 products from 13 companies and six States represented by his group. These products ranged from popcorn to dried legumes, peas, lentils, dietetic cookies, and canned vegetables. Among the most popular products were a fresh fruit drink from Texas and shark steaks. The latter was one of the most exciting products in the show, bringing enthusiastic reaction from the U.K. trade and a bid from one U.K. agent to represent the product. "It is a high-protein inexpensive item, and if prepared correctly has a very good flavor," said Stone. One British buyer, J. Henderson, of the Sterling Winthrop group, said, "I'll take some home, let the family try it, and then tell them what it is. If they like it, so will other people in the United Kingdom."

Manning the USAFEC stand was the organization's executive director, Russ Caponetto. Some 35 products from 11 companies and five States were shown by USAFEC, including wines, mushrooms, mixed nuts pecans, maple products, frozen fish products, frozen pizza bagels, and pretzels. The mushroom products, pretzels, and wines were among products drawing the greatest trade interest.

The 24 U.K. agents and two U.S. distributors exhibiting at the shows reported generally good results. Typical comments were: "I've seen people here I've been trying to catch for years . . .



this saves a lot of traveling around." . . . "we've been looking for a distributor for some time and, I think we found one today" . . . and "we've sold several containerloads of meat, and when you talk about a container you're talking about around 40,000 pounds of meat."

Products exhibited by the U.K. agents included textured vegetable proteins, soy flour, all types of processed potatoes, turkey products including salami and pastrami, fresh citrus, citrus juices, raisins and canned fruit, postmix juice dispensers, coffee bags, a special high-energy diet food for athletes, rice, and pizza.

This year was the sixth for the traveling Foodex exhibits in the United Kingdom and the first year in which new products have been included.

"We had found out during the early 1970's that it was most difficult to get the buyers from large commercial institutions to visit London more than once a year, if that, to see new food products," said William Rodman, U.S. Agricultural Attaché in London. "We thus decided to take our products to them. Since 1971 we have put on 19 Foodex shows in major cities throughout the United Kingdom, averaging three shows each spring and each fall and through this direct contact learning what type products the trade would like introduced."

It takes about 6 months per city to build a proper trade list as each contact must be called upon personally and told about the purpose of Foodex. In all it has proven increasingly successful.

One prime aim of the manufacturers of products new to the market was to find U.K. agents. Exhibitors also were anxious to determine the acceptance of their products in the U.K. market. The Foodex show thus provided an effective entry into the market at minimum cost, with the potential for substantial sales expansion.

For those products finding acceptance, the United Kingdom can be a lucrative outlet. Last year, the country was 10th largest importer of U.S. agricultural products, taking \$647 million worth—and the figure goes over \$850 million when transshipments through Rotterdam and other European ports are included.

—BEVERLY HORSLEY, FAS



Above: Herb Stone, executive director, Southern U.S. Trade Association (r.), discussing U.K. sales prospects; Left: Russ Caponetto, executive director, Eastern U.S. Agricultural and Food Export Council, in an exchange with U.K. visitor; Below and bottom: Views of FAS-sponsored displays in Liverpool, New Castle, and Glasgow, Sept. 23-Oct. 1.





# Development Banks Extend More Agricultural Loans

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**L**ENDING by the world's major economic development banks to benefit agriculture in the developing nations now accounts for over a fifth of the total \$43 billion in loans made by these banks to those nations from the end of World War II through 1975.

Loans for agricultural purposes and total lending in recent years have escalated in all major development banks, including the International Bank for Reconstruction and Development (IBRD), commonly known as the World Bank; the International Development Association (IDA); the International Finance Corporation (IFC); the Inter-American Development Bank (IDB); the Asian Development Bank and Asian Development Fund (ADB and ADF); and the African Development Bank and African Development Fund (AfDB and ADF).

The volume of loans outstanding has increased significantly—especially since 1960, when the first major regional development bank opened.

Although agriculture is an important loan sector in all the major development banks, it is surpassed in some of the banks by lending for industrial purposes and electric power generation.

However, the total impact of lending on the agricultural sectors of the recipient countries cannot be accurately assessed because loans to other sectors of the recipient economies also aid agriculture indirectly.

Creation of such infrastructure facilities as roads, ports, and power generation and transmission help agriculture by improving the flow of agricultural inputs to the farm and of agricultural products to market.

Indirectly, agriculture is aided by improvements in education, health, and sanitary facilities that upgrade the quality of rural life. Also, loans to the industrial sectors of the recipient nations in many cases result in increased processing of agricultural products.

In addition, many loans made by development banks are to financial institutions that then re-lend to individ-

uals and cooperatives for agricultural and other purposes. Thus, many loans that are classified for the overall economic development of a country may directly benefit its agriculture.

Development banks also provide a stimulus to overall investment. Usually, bank financing covers only a portion of the total cost of a project, with the remainder of the necessary capital supplied by local governments, financial institutions, or private investors.

Thus, total investment exceeds the financing supplied by the development banks. Repayment terms vary considerably between development banks and within them, as many try to have both loans near world market rates as well as concessional loans to the least developed countries.

The major development bank is the World Bank, which, together with its affiliated agencies the IDA and the IFC, lent \$31.2 billion from its inception in 1946 through 1975 to many developing countries.

Of this amount, \$6.4 billion—about 20 percent—went directly to agriculture. Major subsectors receiving agricultural loans were irrigation, area development, agricultural credit, and livestock.

The World Bank alone has lent \$3.8 billion to agriculture since 1948, virtually all of it to presently developing countries. Agriculture, however, lags behind other sectors—such as industry, power, and transportation—in total World Bank loans. It has received some 17 percent of the total lent to developing countries through 1975. In fiscal 1976, agriculture received 24 percent of the almost \$5 billion lent by the World Bank.

The purposes of World Bank agricultural loans have shifted substantially since the first such loan was granted in 1948. In the early years, emphasis was on agricultural machinery. Later, irrigation and drainage control dominated.

Newer areas of emphasis include land settlement and smallholder development of a cash crop or a region, seed im-

provement, grain storage, livestock upgrading, forestry and fishery development, and loans to credit institutions for re-lending.

An example of an integrated loan aimed at raising rural income levels and providing basic services is the \$110 million loan to Mexico in fiscal 1975. This project will ultimately affect 750,000 people and should result in increased agricultural production by the construction of irrigation systems, feeder roads, warehouses, water supply systems, health centers, and classrooms.

Emphasis in World Bank loans is on increasing production from the small farmer. Repayment rates are near world market rates—generally 8-8.5 percent in 1975 and recently revised to 8.7 percent—with 20-30 year maturity periods.

**A**BOUT 40 percent of the total world Bank group agricultural loans came from the IDA, the soft-loan component of the group. IDA loans carry no interest. There is an annual service charge of 0.75 percent, with maximum repayment terms of up to 50 years and a 10-year grace period.

Agriculture is the most important sector of all IDA loans, accounting for over 30 percent of the cumulative \$8.3 billion lent to developing countries for all purposes through 1975. In fiscal 1976, 25 percent of the almost-\$1.7 billion lent by the IDA went to agriculture.

IFC, which was set up to work with private capital in investing in developing countries, has not made a substantial investment in agriculture. Cumulative gross commitments in food and food processing equalled only \$31 million during 1957-75, or 3 percent of total commitments in developing countries.

The International Monetary Fund is not a development bank. However, it provides short-term financing by allowing members to draw on its stocks of foreign currencies up to specified limits. Through its various facilities, it provides balance-of-payments financing that indirectly aids the agricultural sectors of member countries to meet payments imbalances smoothly instead of being required to curtail immediately their imports for development projects.

Two facilities in particular—compensatory financing and buffer stock—may affect agriculture. The former allows member countries to borrow currencies to offset shortfalls in export receipts from a calculated average be-



cause of circumstances beyond their control, such as adverse production or low world prices.

Argentina received \$256 million under this facility in December 1975 and March 1976 because of declines in export receipts for meat and meat products. The total extended by this facility to the developing countries from its inception in 1963 through June 1976 was \$2.1 billion, more than a third of which was drawn in the first 6 months of 1976.

The buffer stock facility allows member countries to borrow from the IMF to finance their shares of contributions to approved buffer stocks. So far, only the tin and cocoa agreements have been approved by the IMF for access by members to this facility.

Regional development banks have proliferated since December 30, 1959, when the IDB was set up. Total lending by the IDB amounted to \$8.7 billion from 1961 through the end of 1975 for projects and programs valued at \$33.4 billion.

Projects of direct aid to agriculture received 23 percent—the largest share of any sector—of total aid commitments.

Cumulative lending to agriculture by the IDB amounted to \$2 billion during 1961-75, 45 percent of which has been in the past 4 years. In 1975, total IDB lending to all sectors was almost \$1.4 billion, of which 24 percent went to agriculture with an estimated benefit to 1.6 million farmers.

Increasing emphasis has been placed on aid to small farmers and cooperatives and assistance for integrated rural development. IDB also has become the major source of external funds for three agricultural research institutes—the International Center for Improve-

ment of Maize and Wheat in Mexico, the International Center for Tropical Agriculture in Colombia, and the International Potato Center in Peru.

IDB has since 1975 been the primary source of official external development assistance to Latin American countries, accounting for almost half of total development financing. Since IDB financing covers only a part of project financing, its impact is increased by the counterpart funds generated for each project. Thus, in the 15 years of its lending history, it has promoted an additional \$24.6 billion in investment or almost three times IDB's outlay.

Repayment terms on IDB loans fall into two categories—ordinary capital loans, with repayment at close to market rates of 8 percent and maturities of 15-30 years; and concessional loans made from special fund operations at 2-4 percent interest with 20-40 year maturities and 5-10 year grace period.

Venezuela has set up a trust fund of \$500 million to be administered by IDB. In 1975, some \$83 million of this fund was committed.

In 1975, IDB made agricultural loans to six countries and to farmer cooperatives in 10 countries. Agricultural credit programs are among the most important subsectors of agricultural loans. Other types of loans extended during 1975 were to combat cattle ticks and hoof-and-mouth disease and for development of fisheries, pork production, and forestry resources.

An example of an agricultural loan extended in 1976: \$15 million to Guatemala to aid small and medium-scale farmers and to strengthen rural cooperatives. IDB will finance 71 percent of the estimated total cost of the program, with the remainder to be covered by a Government bank.

Another regional bank serving some Latin American countries is the Caribbean Development Bank (CDB), which was started in 1970. However, the scope and volume of its lending activities are much smaller than those of IDB. Through the end of 1974, CDB had lent \$84 million, of which \$18 million was for agricultural projects. Even more is being re-lent for agricultural projects by national lending institutions.

Other major established regional development banks are the Asian Development Bank and the African Development Bank and their associates, the African and Asian Development Funds.

The African Development Bank, established in 1964, authorized \$317 million in loans to all sectors through the end of 1975 for 107 projects in 37 countries. In earlier years, less than 20 percent of total lending went to agriculture. Recent terms are 6 percent interest with a 1 percent fee and 8-20 year maturity with a 3-6.5-year grace period.

Concessional loans are made by the African Development Fund (AfDF) at 0.75 percent interest, repayment over 40 years, and 10-year grace periods. AfDF started operations in mid-1973 and through 1975 had made 40 loans valued at \$140 million.

AfDF's focus is on small scale, basic infrastructure projects such as village wells, roads, and earthen dams. Of the 40 loans made in 1974 and 1975, 16—accounting for \$60 million or 43 percent of total value—were in agriculture. Algeria has put its \$20 million-Arab Oil Fund for Africa under AfDF administration.

The ADB was established in 1966 and made its first agricultural loan in 1968. Lending has increased each year, and total lending in ordinary capital loans through 1975 amounted to \$1.9 billion.

Agriculture and agro-industry accounted for 15 percent of the total. The largest share has gone to irrigation and rural development, with fertilizer production taking the next largest share.

In 1975, the ADB joined with other multilateral and bilateral lenders in the joint financing of three fertilizer plants in Sri Lanka, Pakistan, and Bangladesh.

ADB interest rates currently are 9.1 percent, with 15-25 year maturities. For countries with per capita incomes above \$850 in 1972, the lending rate is 9.7 percent.

The ADF, a concessional lending in-

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MULTILATERAL AID TO AGRICULTURE IN DEVELOPING COUNTRIES THROUGH 1975  
(In millions of U.S. dollars)

Insitutions	Total loans to world	Loans to developing countries	Loans for agriculture in developing countries
World Bank Group total of which, IBRD	37,569	31,243	<sup>1</sup> 6,401
IDA	27,873	21,965	3,814
IFC	8,434	8,255	2,556
	1,262	1,023	31
IDB	8,685	8,685	1,975
ADB; ADF	2,584	2,584	589
AfDB; AfDF	457	457	<sup>2</sup> 120
Total major institutions	49,295	42,969	9,085

<sup>1</sup> Includes loans for agriculture in some smaller developed countries such as Turkey and Yugoslavia. <sup>2</sup> Estimated total—\$60 million from AfDB; \$60 million from AfDF.



First Class

## Development Banks

*Continued from page 11*

stitution, was set up in mid-1974. Loans carry a service charge of 1 percent, with maturity of 40 years and a 10-year grace period. Through the end of 1975, concessional loans totaling \$659 million were made from the ADF and earlier special funds. Almost half of these loans went to agriculture. Loans for agriculture and agro-industry have accounted for 23 percent of total ADB and ADF loans.

Regional development banks and lending institutions recently have been established by several members of the Organization of Petroleum Exporting Countries (OPEC). The Arab Bank for Economic Development in Africa (BADEA) has been set up to finance

specific African development projects and to grant direct subsidies to governments in exceptional circumstances.

The Special Arab Fund for Africa was established by Arab members of OPEC in 1974 to help finance balance-of-payments deficits in African oil-importing countries. Also, the Arab Fund for Economic and Social Development (AFESD) has been created to provide long-term loans at low interest rates for infrastructure projects in Arab countries. Other development banks and funds are in the process of being established to give aid to developing countries.

At present, pledges are being made by the United States, other developed countries, and the OPEC nations to set up a \$1-billion International Fund for Agricultural Development.

## U.S. Potato Industry

*Continued from page 7*

million harvested in 1975, and down 39 percent from 1974 figures. Buyer petitions to the Ministry of Agriculture to relax import restrictions have so far been futile, and the United Kingdom continues to ban fresh potato imports from the United States.

Belgium-Luxembourg is also expecting a poor harvest of 870,000 tons in 1976—33 percent below last year's poor crop and 52 percent less than 1974 production. Austria, as well, is expecting a 15 percent drop in potato output to 1.3 million tons in 1976.

Italy is expected potato production to equal last year's 2.9-million-ton harvest. Italy has exported a larger volume of potatoes this year, however, and shipments are still continuing. Trade con-

tacts consider it very likely that Italy will need to import a larger volume of potatoes than usual to replace some of the present exports.

A few countries are expecting their 1976 potato harvests to exceed those of the previous year. Sweden, for example, is expecting a 1976 crop of 1.1 million tons compared with 837,000 tons last year. Greece, with a prospective 1976 crop of 926,500 tons, would exceed 1975 production by 59,000 tons and the 1974 harvest by 132,000 tons.

The United States is expected to become an important supplier of both fresh and processed potatoes to Western Europe. Although most U.S. exports usually do not occur until after January 1, foreign buyers have reportedly been active already in firming up U.S. contracts for future shipments.

## Duty-Free Product Review

The U.S. Office of the Special Representative for Trade Negotiations has published in the Federal Register on October 18, 1976, a "Timetable for the Second Biannual Review of Petitions for Modification of the List of Articles Receiving Duty-Free Treatment under the Generalized System of Preferences" (GSP). In order to be included in the second biannual review, petitions filed with the Chairman of GSP Subcommittee of the Trade Policy Staff Committee (1800 G St., N.W., Washington, D.C. 20506) must be received not later than the close of business Monday, November 15, 1976. Public Hearings on these petitions will begin on December 14, 1976.

Those wishing detailed information concerning the timetable for review and guidance for petitioners should consult the October 18 Federal Register Notice.

## New FAS Publications

- USDA Forecast of 1976 Soviet Grain Crop Increased (FG 25-76)
- U.S. Dairy Trade Deficit Increased in Fiscal 1976 (FD 5-76)
- U.S. Soybean Exports in 1975/76 Hit Record 15.1 Million Tons (FOP 16-76)
- World Production of Meal and Oil To Decline in 1977 (FOP 14-76)
- Second World Coffee Production Estimate For 1976/77 Up Slightly (FCOF 4-76)

Single copies may be obtained free from the Foreign Agricultural Service USDA, Washington, D.C. 20250, Rm. 5918-S; Tel. 447-7937.